



**BELLSOUTH**

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August 20, 1998

EX PARTE OR LATE FILED

**Ex Parte**

Ms. Magalie R. Salas  
Secretary  
Federal Communications Commission  
Room 222  
1919 M Street, N.W.  
Washington, D.C. 20554

**RECEIVED**

AUG 20 1998

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

Re: CC Docket No. 98-81, In the Matter of 1998 Biennial Regulatory Review—Review of Accounting and Cost Allocation Requirements

ASD File No. 98-64, United States Telephone Association Petition for Rulemaking

CC Docket No. 96-150, In the Matter of the Implementation of the Telecommunications Act of 1996: Accounting Safeguards Under the Telecommunications Act of 1996

Dear Ms. Salas:

In accordance with the Commission's rules, please be advised that on August 19, 1998, Carl Geppert of Arthur Andersen, Jeannie Fry representing SBC Communications, Scott Randolph representing GTE Service Corporation, Tony Alessi representing Ameritech, and the undersigned, representing BellSouth met in separate meetings with the following:

- Jose Rodriguez, Deb Weber, Mark Stephens, Thad Machcinski, Joann Lucanick, Warren Firschein, Tom Quaille, Ed Dashkin and Colleen Nibby, all of the Accounting Safeguards Division
- Paul Gallant, Legal Advisor to Commissioner Gloria Tristani
- Richard Cameron of the Common Carrier Bureau and Andy Mulitz of the Accounting Safeguards Division.

The purpose of the meetings was to discuss and answer questions regarding Arthur Andersen's paper, *Accounting Simplification in the Telecommunications Industry*. A summary of the discussion is outlined in the attachment.

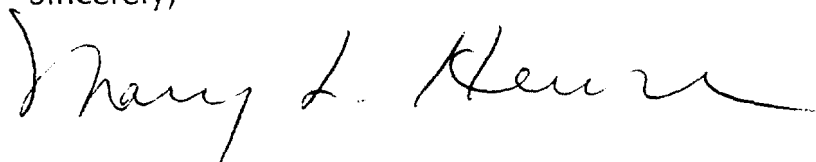
Prior to the release of the Accounting Notice, Arthur Andersen began development of the position paper to provide critically needed analysis of the Commission's USOA. The conclusion reached in this accounting position paper is that extensive reform of USOA well beyond that contemplated in the Accounting Notices, is urgently needed. These recommendations can be adopted now to ease the recordkeeping burdens on **all** LECs with the ultimate goal being full reliance on Generally Accepted Accounting Procedures (GAAP).

The proposals for simplification and/or elimination discussed in the position paper should be adopted expeditiously by the Commission. They provide a framework for a *transition* from today's detailed Part 32 regulatory accounting and recordkeeping requirements to more of a "level playing field" where all carriers are subject to the same requirements under GAAP.

Please include this letter in the record of these proceeding in accordance with Section 1.1206(a)(2) of the Commission's Rules.

If you have any questions regarding this matter, please do not hesitate to contact me at (202) 463-4109.

Sincerely,

A handwritten signature in cursive script, appearing to read "Mary L. Heur".

Attachment

cc:	R. Cameron	E. Dashkin	W. Firschein
	P. Gallant	J. Lucanick	T. Machcinski
	A. Mulitz	C. Nibby	T. Quaile
	J. Rodriguez	M. Stephens	D. Weber

## **ACCOUNTING SIMPLIFICATION IN THE TELECOMMUNICATIONS INDUSTRY**

- ◆ **The existing Part 32 USOA does not represent the current regulatory or competitive paradigm.**
  - Original objective of producing meaningful financial, management and regulatory information no longer being achieved.
  - Details no longer relevant under pure price cap regulation.
- ◆ **Part 32 needs to be streamlined now.**
- ◆ **Long-term objective should be full reliance on GAAP.**

## **AREAS OF GREATEST OPPORTUNITY**

### **◆ Part 32 Account Structure and Accounting Requirements**

1. Class B Level
2. Expense matrix categorization
3. Part 32 materiality standards
4. Advance notification requirements

### **◆ Property Records and Depreciation**

1. Permit the accounting and tracking of plant assets consistent with management requirements and GAAP
2. Allow carriers to set depreciation rates and methods based on GAAP.

### **◆ Affiliate Transaction Rules**

1. Eliminate asymmetrical affiliate transaction rules for services.
2. Expand the FMV exemption.
  - materiality-based
  - support service affiliates